STATE OF VERMONT

PUBLIC SERVICE BOARD

Joint Petition of Green Mountain Power Corporation, Vermont Electric Cooperative, Inc. and Vermont Electric Power Company, Inc. for a Certificate of Public Good pursuant to 30 V.S.A. § 248, to construct up to a 63 MW wind electric generation facility and associated facilities on Lowell Mountain in Lowell, Vermont and the installation or upgrade of approximately 16.9 miles of transmission line and associated substations in Lowell, Westfield and Jay, Vermont	)	Docket No. _____

PREFILED TESTIMONY OF

ANTHONY J. KVEDAR, JR.

ON BEHALF OF GREEN MOUNTAIN POWER CORPORATION

May 21, 2010

Summary of Testimony

Mr. Kvedar provides an analysis of the cost of power from the Kingdom Community Wind Project. Based on this analysis, the estimated first year Alternative 1 costs are $.141/kWh, declining to $.063/kWh in year 25, and the projected levelized Alternative 1 cost is $.101/kWh. The estimated first year Alternative 2 costs are $.160/kWh, declining to $.071/kWh in year 25, and the projected levelized Alternative 2 cost is $.115/kWh. Mr. Smith uses this information in comparing the cost of the Project to alternatives. Mr. Kvedar also estimates the projected retail revenue requirement changes due to the Project, which range from 2.8% in the first year to (2.6)% in the 25th year under Alternative 1 and from 3.8% in the first year to (2.3)% in the 25th year under Alternative 2.

PREFILED TESTIMONY OF ANTHONY J. KVEDAR, JR.
ON BEHALF OF
GREEN MOUNTAIN POWER CORPORATION

1. Q. Please state your name, current position, employer and business address.

A. My name is Anthony J. Kvedar, Jr., and I am the Financial Modeling and Business Analysis Manager for Green Mountain Power Corporation, 163 Acorn Lane, in Colchester, Vermont 05446.

2. Q. Please state briefly your educational background and business experience.

A. I graduated from the University of Vermont in 1971 with a Bachelor of Science Degree in Business Administration, with a specialty in Accounting. I received my Masters of Business Administration from the same institution in 1988.

I was employed by the Vermont Department of Employment Security from June 1972 to December 1978, as an Unemployment Tax Field Auditor. From December 1978 to March 1985 I was employed as a Tax Field Examiner with the Department of Taxes. I started work at Green Mountain Power Corporation (the "Green Mountain Power" or "GMP") in April 1985, as a Tax Planning-Financial Analyst.

In May 1989 I was promoted to the position of Assistant Controller. I was responsible for General Accounting, Payroll, Plant Accounting, Budget, Taxes, Accounting Systems and Financial Reporting. In February 1994, my responsibilities were changed. I was moved from

the supervision of the various accounting functions listed above to supervising the financial planning function at Green Mountain Power. I am now responsible for the financial forecasting, financial analysis, and revenue requirement work.

From 1989 to 1997 I was an adjunct faculty member at Trinity College where I taught courses in subject areas of Accounting, Auditing, Income Taxes, Managerial Finance, and Cost Accounting. I have also been a member of the adjunct faculty at the University of Vermont School of Business since 1996, where I have taught courses in Managerial Accounting and Income Taxes.

I am a member of the Edison Electric Institute ("EEI") Budgeting and Financial Forecasting Committee and Cost of Capital team. I was a member of the National Board of Directors of the Institute of Management Accountants and a past president of the Northeast Regional Council of the IMA. I have previously been a member of the EEI Tax and Accounting Standards Committees. I am also a member of the Vermont Society of CPAs.

I am a Certified Public Accountant, licensed in the State of Vermont, and a Certified Management Accountant as well as a Certified Rate of Return Analyst.

3. Q. Have you ever testified before the Public Service Board ("Board")?

A. Yes, I have testified before the Board concerning various elements of Green Mountain Power's cost of service and rate base in numerous previous revenue requirements cases. I also testified on Green Mountain Power's behalf in hearings on the line extension tariff

surcharge in the generic line extension docket. My most recent testimony before the Board was in Docket 7429.

4. Q. Please summarize your testimony.

A. The purpose of my testimony is to provide an analysis of the cost of power from the Kingdom Community Wind Project (the "Project") and associated rate impact on Green Mountain Power's customers. Based on this analysis, the estimated first year Alternative 1 costs are $18,420,000 (**Exh. Pet.-AJK-2**), and the projected annual levelized Alternative 1 cost is $13,150,000 (**Exh. Pet.-AJK-1**). In terms of cost per kWh, the first year Alternative 1 cost is $.141/kWh, declining to $.063/kWh in year 25 (**Exh. Pet.-AJK-3**), and the projected levelized Alternative 1 cost is $.101/kWh (**Exh. Pet.-AJK-1**). The costs associated with the Alternative 2 scenario (described below) are a first year Alternative 2 cost of $20,910,000 (**Exh. Pet.-AJK-5**) with a projected annual levelized Alternative 2 cost of $14,940,000 (**Exh. Pet.-AJK-4**). In terms of cost per kWh, the first year Alternative 2 cost is $.160/kWh, declining to $.071/kWh in year 25 (**Exh. Pet.-AJK-4**), and a projected levelized Alternative 2 cost of $.115/kWh (**Exh. Pet.-AJK-4**).

Mr. Smith uses this information in comparing the cost of the Project to alternatives. I have also developed an estimate of the projected retail revenue requirement changes due to the Project, which range from 2.8% in the first year to (2.6)% in the 25th year for Alternative 1 and from 3.8% in the first year to (2.3)% in the 25th year for Alternative 2 (**Exh. Pet.-AJK-3**).

5. Q. Please describe the methodology used in your analysis.

A. I perform two separate, but related analyses. First, I converted the expected capital and operating costs associated with the Project into a cost per kWh, expressed both as annual amounts and as a levelized amount, in order to permit Mr. Smith to compare the resulting costs to Project alternatives, based on the expected market cost of power. Second, I estimated the expected change in retail revenue requirements due to the Project, based on a cost of service methodology.

6. Q. Please identify the major assumptions used in your analysis.

A. I analyzed two different scenarios: Alternative 1 and Alternative 2. The difference between the two scenarios is that the Alternative 2 assumes that GMP will be responsible for all of the costs associated with the high side of the proposed VELCO Jay Tap substation, whereas the Alternative 1 assumes that these costs will be treated as pool transmission facilities, with only a small portion allocated to GMP.

The major assumptions underlying my analyses are contained in **Exh. Pet.-AJK-1, 4**.

7. Q. Please describe the methodology used to develop the annual and levelized costs/kWh based on the economic analysis.

A. I converted the capital costs associated with the wind farm, associated infrastructure and transmission upgrades into the annual costs by depreciating them over the estimated 25-year Project life on a straight-line basis, and applying the weighted average cost of

capital to the undepreciated balance. I added the annual operating costs to the annual capital-related costs, and divided the total by the projected energy output to derive the annual cost per kWh. The resulting annual costs were converted to a levelized cost based on the net present value factor of 8.5%. This information was then used by Mr. Smith to compare the Project cost to alternatives.

8. Q. Please explain how the retail rate impacts were developed?

A. I developed a retail cost of service including the Project and a separate retail cost of service reflecting the costs of alternative power supply arrangements. The cost of service reflects the economic analysis described above, and reflects a reduction in costs equal to the projected price at which the renewable energy certificates ("RECs") could be sold. The estimated first year rate base and cost of service for each alternative is contained in **Exh. Pet.-AJK-2, 5**.

9. Q. What is the retail rate impact of the Project on customers?

A. A comparison of the retail rate impact of the Project compared to power supply alternatives is set out in **Exh. Pet.-AJK-3, 6**. In the first year of the Project, the rate impact of the Project in the Alternative 1 scenario is approximately $7,500,000 ($9,970,000 in Alternative 2). In succeeding years, the rate impact of GMP's Project investment decreases and the cost of market alternatives increases, so that the rate impacts are approximately equal in year 5 (year 6 in the Alternative 2). By the 25th year, the Project rate impact under the Alternative 1 is (2.6)%

lower than the impact of the market alternative (with (2.3)% in the Alternative 2) (**Exh. Pet.-AJK-3**).

10. Q. Does this conclude your testimony?

A. Yes.